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Message Text

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FM AMEMBASSY QUITO
TO SECSTATE WASHDC 9479
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FOR COMMERCE/OED

E.O. 11652: N/A
TAGS: ENRG, EC
SUBJECT: PETROLEUM REFINERY

REF: QUITO 6233

1. SUMMARY: PUBLIC RECRIMINATIONS BETWEEN PAST AND PRESENT NATURAL RESOURCES MINISTERS ON REFINERY CONSTRUCTION CONTINUE. ISSUE OF POLEMIC IS LIMITED TO COST TO ECUADOR OF REFINERY RESULTING FROM DELAYS AND DOES NOT MEAN REFINERY BID WILL BE RE-OPENED. PARTICIPATION BY U.S. BIDDERS FOR REFINERY APPEARS TO BE DEAD ISSUE. END SUMMARY.

2. EXCHANGES OF ACCUSATIONS IN LOCAL PRESS REGARDING CULPABILITY FOR DELAY IN CONSTRUCTION OF REFINERY AND RESULTING INCREASE IN COST CONTINUE UNABATED. MOST SERIOUS ACCUSATION, BECAUSE OF ITS NON-PARTISANSHIP, WAS NOVEMBER 23 ARTICLE BY EL TIEMPO COLUMNIST WHO REQUESTED "A FULL AND PRECISE EXPLANATION" BY THE AUTHORITIES FOR THE LONG DELAY, SINCE "THE COUNTRY IS DEEPLY PREOCCUPIED BY THIS PROBLEM". WE HAVE ALREADY REPORTED
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THE NOVEMBER 27 "COMMUNIQUE" OF FORMER NATURAL RESOURCES MINISTER ALFONSO ARROYO ROBELLY (SEE REFTEL. ON DECEM-

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BER 5, FOLLOWING HIS RETURN FROM OPEC MEETING IN VIENNA, CURRENT RESOURCES MINISTER JARRIN INSERTED IN EL TIEMPO A LENGTHY, SHARPLY-WORDED REBUTTAL OF ARROYO STATEMENT. IN ESSENCE, JARRIN EXPLAINS THAT MILITARY GOVERNMENT HAD NO CHOICE BUT TO RE-OPEN CONTEST IN 1972 TO CORRECT MISTAKES OF VELASCO REGIME. ANOTHER ARTICLE IN SAME ISSUE IS AN EXPLANATION AND DEFENSE OF JARRIN'S PETROLEUM POLICY IN GENERAL.

3. THE ARROYO-JARRIN CONFRONTATION TOOK ON GREATER PROPORTIONS WITH STATEMENT BY PRESIDENT RODRIGUEZ LARA ON DECEMBER 7 IN WHICH HE DENIES, CONTRARY TO ARROYO STATEMENT, THAT HE HAD PARTICIPATED IN 1971 AWARD OF REFINERY CONTRACT TO MARUBENI. ON DECEMBER 8, EL COMERCIO CARRIED LETTER-TO-EDITOR FROM FORMER PRESIDENT VELASCO IBARRA WHO USED ARROYO CRITICISM AS LAUNCHING PAD FOR GENERAL ATTACK ON PRESENT "DICTATORSHIP".

4. ALTHOUGH ACCUSATIONS AND NAME-CALLING BETWEEN ARROYO AND JARRIN CONTINUED TO ENLIVEN THE PAGES OF THE LOCAL PRESS AS LATE AS DECEMBER 15, SIGNIFICANTLY THERE HAS BEEN NO CALL FOR A REVIEW OF THE AWARD TO SUMITOMO-CHIYODA AND POSSIBLE RE-OPENING OF NEGOTIATIONS. RATHER, CRITICISM HAS FOCUSED ON THE LONG DELAY IN AWARDING THE CONTRACT, ALLEGED RESULTING FINANCIAL LOSSES TO ECUADOR, AND AN ATTEMPT TO PIN THE BLAME ON EACH OTHER.

5. AS EMBASSY ASSESSES SITUATION, ARROYO-JARRIN POLEMICS MAY ONE DAY SERVE AS BASIS FOR RECRIMINATIONS AGAINST MEMBERS OF PRESENT GOVERNMENT. CERTAINLY FEW IF ANY ECUADOREANS WANT TO SEE FURTHER DELAY IN CONSTRUCTION OF REFINERY, AND JARRIN WILL NOT BOW TO PRESSURE OF A FEW VELASQUISTAS. MOREOVER, LOCAL PRESS DOES NOT SEEM WILLING TO INVOLVE ITSELF IN CRITICISM OF REFINERY AWARD. PRESS HAS A "LET'S GET ON WITH IT"ATTITUDE AND IS MORE CONCERNED WITH REPORTING FINANCING ALTERNATIVES AND SIGNING OF UPCOMING CONTRACT IN JANUARY.

6. NATURE OF DISPUTE BETWEEN PRESENT AND FORMER MINISTERS OF NATURAL RESOURCES IS NOT GENERATING A CLIMATE CONDUCIVE
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TO RE-OPENING THE CONTEST FOR POSSIBLE PARTICIPATION BY AN AMERICAN FIRM. THE AWARD TO SUMITOMO-CHIYODA, BARRING ANY UNFORESEEN DEVELOPMENTS, MUST NOW BE REGARDED AS A FAIT ACCOMPLI.
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